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## АО «Казахстанская фондовая биржа»

Настоящим АО «Qazaq Banki» (далее Банк) в соответствии с требованиями Листинговых правил АО «Казахстанская фондовая биржа» информирует о том, что 21 июля 2017 года международное рейтинговое агентство Standard&Poor's поместило долгосрочные и краткосрочные кредитные рейтинги Банка «В-/В», а также рейтинг по национальной шкале «kzB+» в список CreditWatch Negative.

Пресс-релиз рейтингового агентства Standard&Poor's прилагается.

**Председателя Правления  
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**Kazakhstan-Based Qazaq Banki 'B-/B' Ratings Placed On CreditWatch Negative Due To Low Regulatory Capital Buffers**

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- Continuously deteriorating capitalization makes Qazaq Banki vulnerable to the current weak operating environment in Kazakhstan, including occasional liquidity pressures that small and midsize Kazakh banks frequently experience due to the volatility of their funding base.
- Although we understand that shareholders and the state may step in to help Qazaq Banki, the exact amount and timing of such support is still not certain.
- As a result, we are placing our 'B-/B' and 'kzB+' ratings on Qazaq Banki on CreditWatch with negative implications.
- We expect to resolve the CreditWatch within the next three months, when we should have better understanding on the potential amount of additional capital support from the shareholder and the government, if any.

MOSCOW (S&P Global Ratings) July 21, 2017--S&P Global Ratings said today that it placed its 'B-/B' long- and short-term counterparty credit ratings and its 'kzB+' Kazakhstan national scale rating on Kazakhstan-based Qazaq Banki JSC on CreditWatch with negative implications.

The CreditWatch placement reflects our concerns regarding Qazaq Banki's deteriorated loss absorption capacity and low regulatory capital buffers due to rapid asset growth, weak internal capital generation, and uncertainty with regards to the time and amount of a capital injection from the shareholders, as well support from the government, if any. We also think that potential deterioration of asset quality and vulnerability of the funding base might be additional risk factors for the bank's creditworthiness. We rate Qazaq Banki at 'B-' because the bank does not meet our definition of the 'CCC+' issuer credit rating.

Additionally, we are aware of the shareholders' plans to merge Qazaq Banki with domestic peer **Bank RBK JSC** (B-/Watch Neg/B). This transaction is likely to happen in 2018, but we do not have details on the terms of the merger and the strategy for the merged bank at this stage.

Due to previous rapid asset growth, Qazaq Banki's capitalization has weakened, and regulatory capital buffers lowered (as of June 1, 2017, the bank's Tier 1 and total capitalization ratios were 9.2% and 10.2% versus the regulatory minimums of 8.5% and 10%, respectively). In our view, this means the bank will likely run the risk of potentially being in compliance with regulatory capital adequacy minimum requirements in the absence of a capital injection, given the bank's low internal capital generation. We understand that shareholders are committed to providing at least Kazakhstani tenge (KZT) 4 billion (US\$12.3 billion) this year and potentially additional capital afterward. We also understand that the government might decide to provide the bank with capital support under the framework of a recapitalization program of at least KZT500 billion that has been recently put together to support Kazakh banking sector.

Furthermore, Qazaq Banki currently reports strong asset quality, with a nonperforming loan (NPL) ratio of about 3.1% of total loans. We think that, following rapid asset growth over the past few years, the portfolio will start seasoning and NPLs will likely increase to 8%.

The share of Qazaq Banki's liquid assets (cash, interbank, and central bank exposures, as well as the securities portfolio) was about KZT63 billion (14.5% of total assets) as of mid-June 2017. So far this year, we have observed that some small and midsize banks in Kazakhstan are experiencing unforeseen outflows of funding, including deposits from government-related entities. We therefore consider that potential volatility of deposits and liquidity represents another source of pressure on Qazaq Banki's creditworthiness.

We expect to resolve the CreditWatch within the next three months, when we should have more clarity on the potential amount and timing of capital support for Qazaq Banki from the shareholders and the government.

We could lower the ratings if Qazaq Banki does not receive enough capital support to restore its capitalization and sustainably maintain its capital ratios above the regulatory minimums. Also, rating pressure could arise if the bank's portfolio quality deteriorates substantially more than we currently expect and the additional provisioning significantly squeezes capital while additional equity inflows are not sufficient to maintain capitalization of the bank at acceptable levels. Moreover, we could consider a downgrade if we see

significant deterioration of the bank's liquidity position or funding stability.

We could affirm the ratings if we see that the bank receives sufficient capital support, restoring capital adequacy ratios to substantially above the minimum required levels and the risks of noncompliance with regulatory requirements subsided, while the bank's liquidity position remains stable.

#### RELATED CRITERIA

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
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- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
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- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
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